

Henderson State University

Analysis Report- ConAgra Food Inc.

Prepared By: Tyler Cowling

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Company History:

ConAgra Foods, Inc. (ConAgra Foods), incorporated in 1919, is a packaged food company serving grocery retailers, as well as restaurants and other foodservice establishments. The Company operates in three business segments. The Consumer Foods segment includes branded, private label and customized food products, which are sold in various retail and foodservice channels. The Food and Ingredients segment includes commercially branded foods and ingredients, which are sold principally to foodservice, food manufacturing and industrial customers. The Food and Ingredients reporting segment includes branded foods and ingredients, which are sold principally to foodservice, food manufacturing, and industrial customers. The International Foods reporting segment includes branded food products which are sold in retail channels principally in North America, Europe and Asia.

Product Mix

Consumer Foods

The Consumer Foods segment includes branded, private-label and customized food products. The products include a variety of categories (meals, entrees, condiments, sides, snacks and desserts) across frozen, refrigerated and shelf-stable temperature classes. Major brands include Angela Mia, ACT II, Banquet, Blue Bonnet, Chef Boyardee, DAVID, Egg Beaters, Healthy Choice, Hebrew National, Hunt's, Kid Cuisine, LaChoy, Libby's, Manwich, Marie Callender's, Orville Redenbacher's, PAM, Parkay, Rosarita, Slim Jim, Reddi-Wip, The Max, Ro*Tel, Snack Pack, Swiss Miss, VanCamp and Wesson.

Food and Ingredients

The Food and Ingredients segment includes commercially branded foods and ingredients. The segment's primary products include specialty potato products, milled grain ingredients, dehydrated

vegetables and seasonings, blends and flavors, which are sold under brands such as ConAgra Mills, Lamb Weston, Gilroy Foods and Spicetec to food processors.

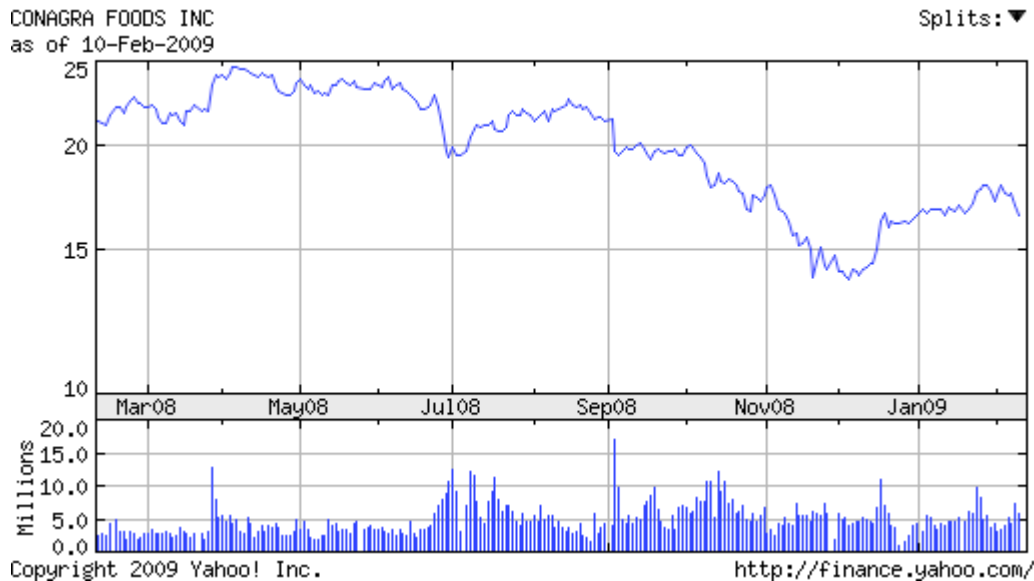
International Foods

The International Foods segment includes branded food products. The products include a variety of categories (meals, entrees, condiments, sides, snacks, and desserts) across frozen, refrigerated and shelf-stable temperature classes. Major brands include Orville Redenbacher's, Act II, Snack Pack, Chef Boyardee, Hunt's and PAM.

Market Profile

Corning Inc.	
Ticker Symbol	CAG
Exchange	NYSE
Industry	Food Processing
Sector	ConsumerGoods
Peer	Heinz
Shares Owned	-
Purchase Date	-
Purchase Price	-
Current Price	
52-wk Low	13.52
52-wk High	24.87
52-wk Change	-22.17%
52-wk Relative	
1 Year Target Price	17.93
Market/Book	
Market Cap.	7.38B
Beta	.88
EPS (ttm)	2.36
Price/Earnings	7.00x
PEG	
Dividend & (Yield)	0.76 (4.50%)
Dividend Payout	66.66
Interest Coverage	3.24
ROE	11.11
Recommendation:	
Hold	

Stock Chart- Six Months



Recent Headlines

Today, Thu, Feb 12, 2009

- [\[\\$\\$\] PEP Preview: Could See Mixed Results](#)
at **RealMoney by TheStreet.com** (Thu 9:08am)

Wed, Feb 11, 2009

- [\[audio\] Money Markets and More for Thursday, February 12th: Will investors gobble up eateries? \[6.5 min\]](#)
at **MarketWatch** (Wed 5:09pm)
- [Peanut Co. Owner Urged Shipping Tainted Products, Email Indicates](#)
at **The Wall Street Journal Online** (Wed 4:23pm)

Tue, Feb 10, 2009

- [Jar peanut butter sales fall amid salmonella fears](#)
AP (Tue, Feb 10)

Mon, Feb 9, 2009

- [Peanut recall has US consumers 'spooked' -experts](#)
at **Reuters** (Mon, Feb 9)
- [CONAGRA FOODS INC /DE/ Files SEC form 8-K, Change in Directors or Principal Officers](#)
EDGAR Online (Mon, Feb 9)

Fri, Feb 6, 2009

- [ConAgra names former Bush aide to board](#)
AP (Fri, Feb 6)
- [ConAgra Foods Appoints Joie A. Gregor to Board of Directors](#)
Business Wire (Fri, Feb 6)

Thu, Feb 5, 2009

- [Grocery manufacturers spent \\$740K lobbying in 4Q](#)
AP (Thu, Feb 5)
- [\[\\$\\$\] Unilever to Stress Volume Growth](#)
at RealMoney by TheStreet.com (Thu, Feb 5)

Wed, Feb 4, 2009

- [\[\\$\\$\] K Preview: Commodity Costs Under Control?](#)
at RealMoney by TheStreet.com (Wed, Feb 4)

Tue, Feb 3, 2009

- [Moody's Sees Food Industry's Negative Credit Outlook Getting Worse](#)
at Seeking Alpha (Tue, Feb 3)

Sun, Feb 1, 2009

- [Inspection reports from peanut plant varied widely](#)
AP (Sun, Feb 1)

Industry Overview

Current Rank: 18

Portfolio Percentage Rank:

Monetary Policy Indicator: 8

Industry Opinion:

Key Issues Affecting the Industry:

- Strong demand for food world wide that is a major demographic trend
- Declining margins over the last several years, because of increased raw material costs
- Risk associated with hedging future positions

Porter's Five Forces

1. Rivalry

ConAgra has two main competitors: Kraft Foods Inc. and H J Heinz Co. Prices are fairly competitive between these companies and have an effect on profit margins.

2. Threats of Substitutes

There is no direct substitute to the food industry but private label products can compete for current market share.

3. Buying Power

The Company's customers, such as supermarkets, warehouse clubs and food distributors, have consolidated in recent years and consolidation is expected to continue. These consolidations have produced large, sophisticated customers with increased buying power and negotiating strength who are more capable of resisting price increases and operating with reduced inventories. These customers may also in the future use more of their shelf space, currently used for Company products, for their private label products. The Company is implementing initiatives to counteract these pressures; however, if the larger size of these customers results in additional negotiating strength or less shelf space for Company products, the Company's profitability could decline.

4. Supplier Power

Supplier power is relatively weak because of consolidating buyers. Growing commodity costs have limited pricing competitiveness which has also hurt the power of the supplier.

5. Barriers to Enter

High start up cost and existence of already established brands make the barriers to entry in this industry relatively high.

Recent Results- 10Q

In Millions of U.S. Dollars (except for per share items)	2009 11/23/2008 Period Length 13 Weeks	2009 8/24/2008 Period Length 13 Weeks	2008 5/25/2008 Period Length 13 Weeks	2008 2/24/2008 Restated 5/25/2008 Period Length 13 Weeks	2008 11/25/2007 Restated 5/25/2008 Period Length 13 Weeks
Revenue	3,264.30	3,065.60	3,078.10	2,955.30	2,951.20
Total Revenue	3,264.30	3,065.60	3,078.10	2,955.30	2,951.20
Cost of Revenue, Total	2,577.80	2,474.10	2,430.40	2,248.40	2,209.00
Gross Profit	686.5	591.5	647.7	706.9	742.2
Selling/General/Admin. Expenses, Total	389.9	369	469.2	426.1	489.3
Interest Expense(Income) - Net Operating	42.7	50.1	69.6	66.7	62.2
Total Operating Expense	3,010.40	2,893.20	2,969.20	2,741.20	2,760.50
Operating Income	253.9	172.4	108.9	214.1	190.7
Interest/Invest Income - Non- Operating	1.9	0.9	6.8	20.8	12.5
Interest Income(Exp), Net Non- Operating	1.9	0.9	6.8	20.8	12.5
Net Income Before Taxes	255.8	173.3	115.7	234.9	203.2
Provision for Income Taxes	84.4	65.9	30.1	67.4	68.6
Net Income After Taxes	171.4	107.4	85.6	167.5	134.6
Net Income Before Extra. Items	171.4	107.4	85.6	167.5	134.6
Discontinued Operations	-3.3	335	115.7	141.6	110.2
Net Income	168.1	442.4	201.3	309.1	244.8

Economic Outlook- 10K

ConAgra Foods Inc. late Tuesday said it expects its fiscal first-quarter earnings to be slightly below its previous estimate of 26 cents to 28 cents a share due to the underperformance of its consumer foods segment. The consumer foods division's profits were hit by higher-than-expected inflation with its operating profits likely to be less compared with first quarter in the previous year. So far, ConAgra does not expect any material changes in its fiscal 2009 outlook but it is trying to determine whether it needs to revise down the lower end of its earnings range for the full year. The food company plans to provide more details when it releases its earnings on Sept. 18.

Financial Ratios

Valuation Ratios

	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	14.63	3.87	0.04	13.06
P/E High - Last 5 Yrs.	NA	1.75	0.03	29.16
P/E Low - Last 5 Yrs.	NA	0.41	0.01	6.94
Beta	0.64	0.51	0.01	0.9
Price to Sales (TTM)	0.6	0.14	0	1.61
Price to Book (MRQ)	1.54	1.4	0.03	2.55
Price to Tangible Book (MRQ)	15.59	1.57	0.03	4.94
Price to Cash Flow (TTM)	8.8	1.49	0.02	6.34
Price to Free Cash Flow (TTM)	--	60.29	0.57	14.04

Dividends

	Company	Industry	Sector	S&P 500
Dividend Yield	4.48	0.24	0	3.11
Dividend Yield - 5 Year Avg.	3.62	1.46	0.02	1.94
Dividend 5 Year Growth Rate	-5.16	6.37	0.17	11.52
Payout Ratio(TTM)	66.66	9.22	0.11	40.49

Growth Rates

	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	10.61	1.14	0.08	-0.16
Sales (TTM) vs TTM 1 Yr. Ago	13.92	1.64	0.03	9.73
Sales - 5 Yr. Growth Rate	-6.83	3.16	0.09	14.32
EPS (MRQ) vs Qtr. 1 Yr. Ago	39.01	-27.68	-2.07	-86.61
EPS (TTM) vs TTM 1 Yr. Ago	18.01	--	--	--
EPS - 5 Yr. Growth Rate	-7.14	7.02	0.1	16.81
Capital Spending - 5 Yr. Growth Rate	5.78	3.57	0.08	10.02

Financial Strength

	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	0.58	1.17	3.25	0.92
Current Ratio (MRQ)	1.44	1.57	3.25	1.11
LT Debt to Equity (MRQ)	63.93	27.97	0.61	84.64
Total Debt to Equity (MRQ)	76.85	53.92	0.96	107.3
Interest Coverage (TTM)	3.24	0.06	0.01	32.66

Profitability Ratios

	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	21.29	4.18	0.08	39.4
Gross Margin - 5 Yr. Avg.	24.84	33.21	0.55	40.99
EBITD Margin (TTM)	10.39	--	--	--
EBITD - 5 Yr. Avg	11.47	7.77	0.14	18.64
Operating Margin (TTM)	6.06	1.61	0.03	--
Operating Margin - 5 Yr. Avg.	7.23	4.82	0.09	17.82
Pre-Tax Margin (TTM)	6.31	1.47	0.03	14.49
Pre-Tax Margin - 5 Yr. Avg.	7.3	5.16	0.1	17.54
Net Profit Margin (TTM)	4.3	1.07	0.02	10.32
Net Profit Margin - 5 Yr. Avg.	4.68	3.22	0.06	12.31
Effective Tax Rate (TTM)	31.78	8.05	0.08	28.14
Effective Tax Rate - 5 Yr. Avg.	35.83	41.04	0.59	30.53

Management Effectiveness

	Company	Industry	Sector	S&P 500
Return on Assets (TTM)	4.33	1.16	0.02	5.87
Return on Assets - 5 Yr. Avg.	3.91	3.59	0.07	6.24
Return on Investment (TTM)	5.75	1.83	0.03	8.16
Return on Investment - 5 Yr. Avg.	5.08	5.39	0.1	8.47
Return on Equity (TTM)	11.11	3.46	0.06	21.15
Return on Equity - 5 Yr. Avg.	10.73	7.99	0.15	16.16

Efficiency

	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	494,532	3,378,042	18,479	327,538
Net Income/Employee (TTM)	21,276	25,190	485	36,524
Receivable Turnover (TTM)	12.82	2.2	0.03	10.14
Inventory Turnover (TTM)	4.49	0.92	0.02	6.22
Asset Turnover (TTM)	1.01	0.22	0	0.65

DCF Model	
Beta	0.88
Valueline Safety Rating	2
Expected Growth (EPS)	10.5%
Projected Growth & Dividend Yield	2.4%
Required Rate Return	10.5%
Projected Future P/E	17
Annualized HPR	24.57%
PV of Future Price	\$40.88
Recommendation	Undervalued

P/E Sensitivity					
Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
26.45	47.30	11.0	4.30	2.39	16.19%
31.26	55.90	13.0	4.30	2.79	19.31%
36.07	64.50	15.0	4.30	3.19	22.07%
40.88	73.10	17.0	4.30	3.59	24.57%
45.69	81.70	19.0	4.30	3.99	26.84%
50.50	90.30	21.0	4.30	4.39	28.94%
55.31	98.90	23.0	4.30	4.79	30.88%
26.45	47.30	11.0	4.30	2.39	16.19%

Earnings Sensitivity					
Present Value	Price 2014	P/E 20014	EPS 2014	HPR 2014	Annual Return
35.17	62.90	17.0	3.70	3.12	21.58%
37.08	66.30	17.0	3.90	3.28	22.62%
38.98	69.70	17.0	4.10	3.43	23.61%
40.88	73.10	17.0	4.30	3.59	24.57%
42.78	76.50	17.0	4.50	3.75	25.49%
44.68	79.90	17.0	4.70	3.91	26.38%
46.58	83.30	17.0	4.90	4.06	27.25%

Momentum



Momentum Indicator: -0.3

Analyst's Opinion

Why Buy CAG?

- All indicators suggest solid company in great industry
- Best performer during tough times in the industry
- Market trends appear favorable
- Undervalued according to DCF

Why not buy CAG?

ConAgra uses many different commodities including wheat, corn, oats, soybeans, beef, pork, poultry, and energy. Commodities are subject to price volatility caused by commodity market fluctuations, supply and demand, currency fluctuations, and changes in governmental agricultural programs. Commodity price increases will result in increases in raw material costs and operating costs. ConAgra may not be able to increase its product prices to offset these increased costs, and increasing prices may result in reduced sales volume and profitability. ConAgra has many years' experience in hedging against commodity price increases; however, hedging practices reduce but do not eliminate the risk of increased operating costs from commodity price increases

Final Discussion:

Keep ConAgra in the stock portfolio.